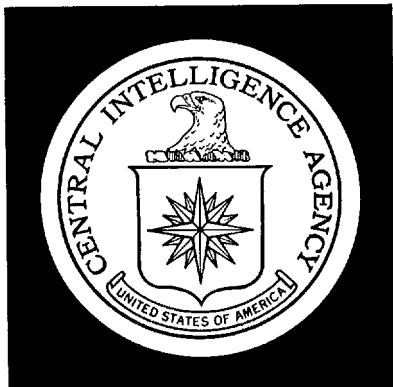


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South Vietnam: New demonstrations by veterans' groups have flared in two of South Vietnam's major cities.

War veterans, to whom the government is particularly sensitive, went on a rampage around Saigon on 6 August when they heard of government plans to tear down several thousand of their shanty-town dwellings, even though they knew the government intends to replace them. According to the press, the veterans destroyed a provincial chief's office and held an all-day sit-in in front of the presidential palace. The demonstration broke up only after government officials promised to leave the veterans' shacks intact and to negotiate further with them.

This incident in Saigon followed even more violent veterans' demonstrations in Nha Trang city on 4-5 August. The veteran-government confrontation there began when police demolished shacks being built by the veterans. A subsequent march was broken up when a guard force fired shots over the demonstrators' heads. Later in the evening [REDACTED]

[REDACTED] the veterans retaliated by seizing and beating police. The next day they began to harass traffic on one of Nha Trang's major roads. The province chief intervened and negotiated the release of seized policemen, but he apparently is still trying to placate the demonstrators.

The Saigon government is extremely reluctant to use harsh tactics against the veterans because of the sympathy they enjoy in the army. Police have complained that they are responsible for containing unrest but receive little backing from the top leadership. President Thieu and his government have been able with a mixture of firmness and conciliatory measures to prevent earlier demonstrations of this nature from getting too far out of hand. The more militant veteran factions, however, remain unappeased and seem determined to instigate further violence.

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Israel - Arab States: Pending a cease-fire, Israeli aircraft have continued daily attacks against Egyptian targets on the west bank of the Suez Canal.

The Israelis have not lost any aircraft to Soviet-Egyptian missiles since 3 August, when one Phantom was downed and another was damaged. Total Israeli casualties for the week--16 soldiers and civilians wounded but none killed--remained in line with the sharp reduction registered last month. During July, 13 soldiers and civilians were killed and 82 were wounded; in June, the totals had been 43 killed and 165 wounded.

Meanwhile, Israeli officials have stated publicly that they expect Arab guerrillas to step up their attacks along the borders in an effort to undermine a cease-fire. So far, however, the fedayeen seem more concerned with recent political developments than with military activity. Some fedayeen attacks continue from both Lebanon and Jordan, but there is no evidence of any concerted increase as yet.

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Italy: Emilio Colombo's negotiating skill in forming a new government has kept the center-left alive, but underlying tension remains.

A prime factor in the fall of the previous cabinet was the disagreement between the militantly anti-Communist Unitary Socialists (PSU) and the orthodox Socialists (PSI) over the limits of cooperation with the Italian Communist Party. Colombo placated the PSU by providing in his political platform that no center-left party should be denied participation in a center-left provincial or local coalition, and that preference should be given to the formation of such an administration where possible.

He pleased the PSI, however, with the provision that Socialist participation in coalitions with the Communists below the national level is not to be taken as a break with the center-left commitment. This permits the PSI to join with the Communists in local or provincial administrations where the four center-left parties do not have the votes to form a government. The PSU had strenuously objected to this.

The other points in Colombo's platform as publicly reported give him flexibility in formulating his program and in dealing with the economic and labor problems facing Italy. His experience as treasury minister in eight previous cabinets will stand him in good stead.

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Cuba - Latin America: Fidel Castro believes that recent developments in Chile and Peru are favorable from Cuba's point of view.

During a recent interview with a Chilean delegation, Castro commented that Chile offered a ready opportunity for socialism to achieve power through elections. Castro said that Cuba was more interested in opening relations with Chile than with any other Latin American country. He added, however, that renewal of ties with Chile prior to the elections in September could be construed as "interference," a situation that he indicated he wanted to avoid. In a possible attempt to drive a wedge between Chile and the OAS, Castro stated that the Chileans had expressed disagreement with the OAS resolution that forced the break with Cuba.

Concerning Peru, Castro commented that he was not particularly interested in establishing relations because this would interfere with its "revolutionary process." He rejected, however, the possibility of ever agreeing to re-establish ties with Brazil and other "dictatorships," in which category he put Uruguay.

Although Castro did not renounce the need for armed struggle in the hemisphere, his comments to the Chileans suggest that he regards other forms of revolutionary change as more promising for some countries.

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[Uruguay: The Papal Nuncio as yet has had no success in opening a channel for communication between the government and the kidnapers.

President Pacheco has not wavered in his refusal to negotiate, although the Tupamaros have threatened to "pronounce sentence" on their US and Brazilian hostages unless the government agrees by today to release all political prisoners. Should the government accede to the terrorists' demands, the ultimatum states that the political prisoners must be freed no later than midnight Tuesday and allowed to leave the country. Presumably the hostages would then be released.

The foreign minister and some influential legislators have indicated a willingness to discuss terms with the terrorists. The US defense attaché, however, reports that the military are almost unanimously against such action. [REDACTED]

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Cambodia: No major new Communist attack has been reported in the past 24 hours. The only significant fighting during this period was near Skoun in Kompong Cham Province. Despite heavy air strikes, enemy forces in the small crossroads town yesterday were still holding off government forces. Three battalions of Khmer Krom troops from Phnom Penh had several sharp encounters with Communist elements less than two miles west of Skoun, but were initially unable to clear enemy roadblocks. East of Skoun, however, government forces fought their way back into the small town of Prey Totung on Route 7. Communist pressure against Kompong Thom has subsided, with the enemy putting only intermittent harassing fire on the city during the night of 5 August.

* * * *

Lebanon: Ex-president Shihab's public withdrawal of his candidacy has thrown the presidential election wide open. Parliament will probably vote some time during the next three weeks, and Shihab's supporters are trying to select a stand-in candidate. Their success is doubtful, however, because many of the parliamentary deputies were committed to Shihab personally and will not automatically transfer their support to another Shihabist candidate. With the Chamounist opposition also unable to agree on a candidate, the prospects of various "compromise candidates" have been given a boost.

* * * *

Cyprus: One Turkish Cypriot was shot to death and two others wounded by a Greek Cypriot National Guard sentry during the night of 5 August. The shooting, the most serious intercommunal incident in several years, has evoked a sharp reaction in Turkish Cypriot quarters. If nothing else, it creates yet another difficulty for the negotiations, now in their third year, to reach a peaceful settlement between the island's estranged communities.

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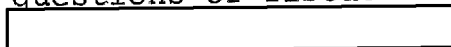
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Panama: General Torrijos has further strengthened his personal position by making extensive changes in the top ranks of the National Guard. Subservience to Torrijos appears to have been the key criterion in the new assignments. Major Manuel Noriega, the Zone commander who facilitated Torrijos' return to Panama during the coup attempt last December, was promoted and appointed to the general staff. At the same time another general staff officer, who had stood up to Torrijos on questions of fiscal responsibility, was retired.

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Chile: The head of the government-owned airline (LAN) denied on 3 August that flights to Cuba were under consideration. Foreign Minister Valdes, Cuba's most ardent official apologist in Chile, had earlier told the press that LAN might establish commercial flights to Havana. He now claims that a conservative daily misquoted him. This disagreement is symptomatic of the public contradictions among Christian Democrats that are damaging the party and its chances of continuing in power.

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